Play 6

Understanding the Sports Event-Sponsorship Relationship

Sports Event Management and Marketing Playbook

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Understanding the Sports Event-Sponsorship Relationship: Overview

- Corporate sponsor relationships are the most sought-after, competitive, and essential partnerships in the business of sport event management
- The benefits are mutual: lifeblood revenue for events and powerful associative, engaging marketing for brands
- Highly integrated brands can leverage the strong emotions of fans at sports events

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Understanding the Sports Event-Sponsorship Relationship: Overview

- Both parties should expect returns that outperform a simple cash-for-product transaction
- The benefits of each sponsor relationship will vary greatly based on the type of event, corporation, and expectations of each
- Business, brands, and products devote significant resources to try and transfer excitement for sports teams/events to their products

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Key Terms

- Sponsorship – associating with a brand/company
- Exposure – visibility to attendees or media
- Cost per thousand (CPM) – amount of money for ad purchase for every thousand consumers who view it
- Value-in-kind (VIK) – providing product/service as sponsorship instead of/in addition to cash
- Activation – investing beyond sponsorship to drive interaction/sales of a product/service

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Sponsorship

- Sponsor-event relationships can manifest in any number of ways, including:
  - Signage at events
  - Event branding on sponsor products
  - Giveaway items at events
  - Associated promotions
  - Branded experiences
- Co-branded content is popular
  - Branding product, ad, signage with both event and sponsor brand to be used inside/outside event

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Evaluating Effectiveness

- Ratings are used in broadcast and web media to determine number of viewers
  - Simplicity in measurement and verification
  - Number of fans at event or watching online/TV
- Cost per thousand (CPM) is an objective calculation of an advertisement's value
  - Amount of money spent to purchase the ad for every thousand viewers
- "Stickiness" is a subjective measure of an ad's memorability and effectiveness in driving consumer action
  - Activation is often used to increase stickiness
- Ideal relationship offers sponsor benefits above its investment and events value beyond is financial costs

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Continuing Partnerships

- Events should strive to increase investment of sponsors
  - Design and construct packages of attractive and tangible benefits
  - Should include some form of exclusivity against sponsors competitors
  - Demonstrate flexibility designing packages that are tailored to their sponsors objectives
    - Ex. Snack food company may value advertising, sampling, and direct sales opportunities
    - Ex. Tech company may value exclusive access, VIP experiences and hospitality, box seats, etc.

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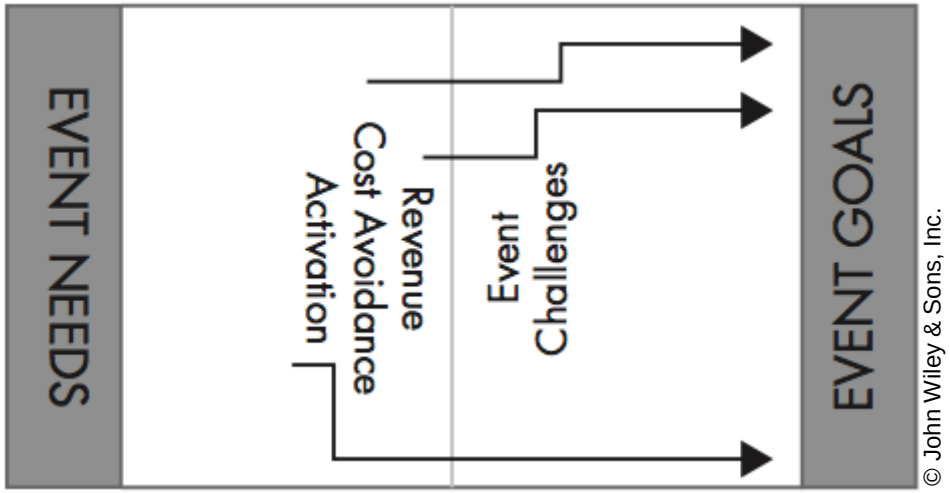
What Sports Event Organizers Really Want from Sponsors

- Three key things:
  - Revenue
  - Cost Avoidance
  - Activation



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Revenue and Cost Avoidance

- Event business models commonly rely on sponsorship for revenue
  - Amount based on the event's attractiveness to sponsors, not necessarily how much revenue is needed
  - Realistic assessments of value offered by event
- In lieu of revenue, sponsors can provide value-in-kind (VIK) to eliminate or lower organizer's costs

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Value-in-kind

- Products/services valued at the retail price an organizer would expect to pay if he/she had to pay cash to procure them
- Often a much better value for sponsors
  - Quality of VIK provided should be the equal or greater than event's requirements
- Often better for smaller events that would not offer value to sponsors in terms of cash investment
  - Or in economically challenging times
- Examples include office supplies, hotel rooms, transportation, broadcast airtime, and much more.

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Value-in-kind

Operational Expenses

- Air travel
- Hotel accommodations
- Automobile rentals
- Fuel
- Office space
- Computer and printing equipment
- Office supplies
- Electronics (e.g., televisions, digital cameras, video equipment)
- Mobile telephones and service
- Staff and volunteer wardrobe
- Catering and refreshments (e.g., bottled water, soft drinks, beer)
- Legal, medical, financial, and other professional services
- Construction materials

Direct Event Expenses

- Sport-specific equipment (balls, bats, gloves, sticks, motor oil)
- Uniforms, footwear and performance gear
- Protective gear and equipment
- Timing equipment
- Locker room products
- Athlete participation gifts
- Event presentation services (e.g., audio, video, event planning services, etc.)

Marketing Expenses

- Television and radio advertising time
- Digital and newspaper advertising space
- Outdoor advertising space (e.g., billboards, mass transit advertising)
- Printing (e.g., tickets, invitations, brochures, fan guides, etc.)
- Fan giveaways and premiums

Activation

- Sponsors invest beyond their sponsorship fee to promote their relationship with a sports event, to build awareness of the event, and to drive sales
- The sponsor can use the event to drive more customers to its brands or business through the placement of event-themed advertising
- As a result, the organizer enjoys the significant additional exposure

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Activation

- Sponsors are moving to mobile marketing attractions at events that market to the fans' passion – the sport itself.
  - Experiential attractions/content that actually make the event better as well.
- The event gains exposure by the sponsor linking itself to the event/team/sport, etc.

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Continued Association

- It would be unwise for organizers not to consider long term agreements with sponsors
  - Reduces expense of seeking new deals each event/year
  - Strengthens association b/w event and sponsor
  - Should be staggered so all don't expire at same time
  - For sponsors, it locks in current prices and protects from successful events opening bidding to competitors
  - But sponsors are often hesitant to commit cash long term

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What Organizers Really Want From Sponsors

- Revenue
- Cost avoidance (value in kind, or VIK)
- Activation
  - Advertising
  - Promotions
  - Publicity
  - Experiential attractions
- Commitment to, or prospect for a continued association

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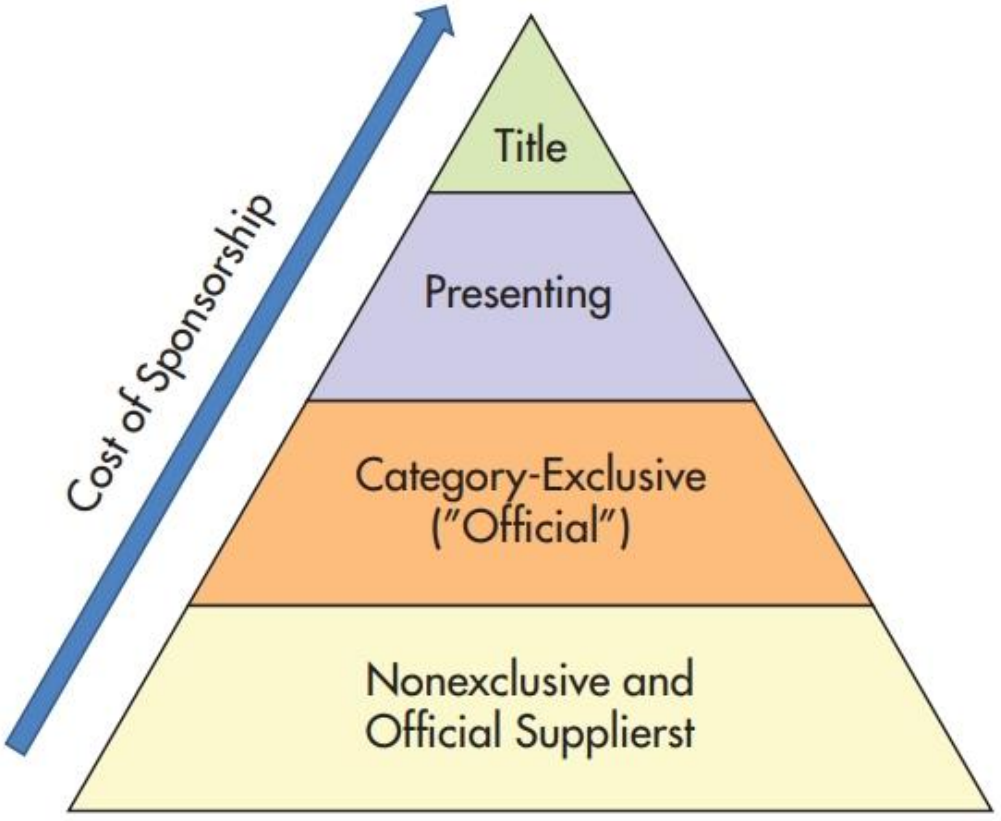
Sponsor Levels of Participation



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Sponsor Levels of Participation

- Title Sponsorship
  - Singular sponsor that gives greatest corporate support and receives most valuable business solutions
  - Pay a premium to inseparably attach their name to an event
  - Receives singular promotion on all press releases, media coverage, advertising, web pages, tickets, signage, and more
    - Ex. Spring Cup Series, Playstation Fiesta Bowl, Chick-Fil-A Peach Bowl
- Presenting Sponsor
  - Just below title sponsor; corporate and brand name follows the title of the event.
  - Easier to separate from the name of the event than title sponsor
    - Ex. College Football Playoff presented by GMC, PGA Championship presented by KIA

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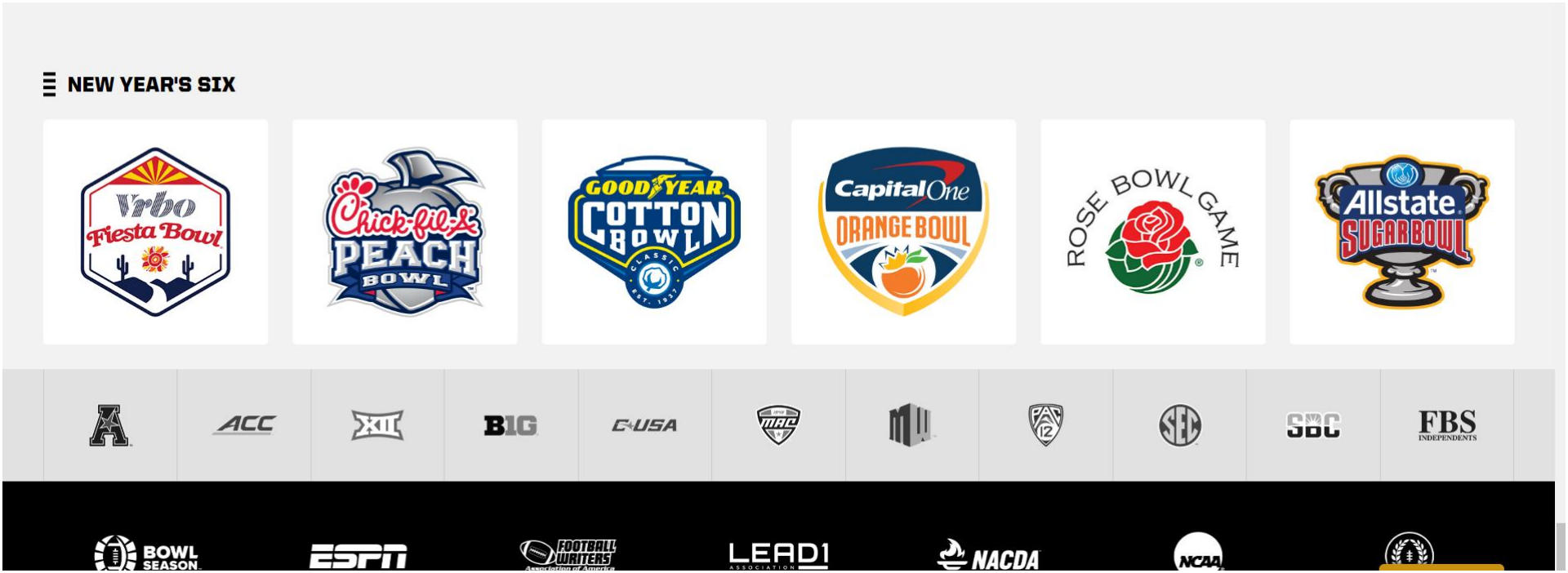
Title vs. Presenting

- Examples:



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Sponsor Levels of Participation

- Category Exclusive Sponsor
  - Level represents largest % of companies and brands (title/presenting can make up largest % of revenue)
  - Also known as “official sponsors”
  - Moderate pricing mean more accessible to companies
  - Event guarantees exclusivity with product/business category
- Nonexclusive and Official Supplier
  - Primary level for local and grassroots organizations by opening sponsor opportunities for as many local businesses as possible
  - Suppliers would provide products/services for the event (possibly in the form of a VIK agreement)
  - Products/business in this category will negate ability to add sponsor at higher exclusive category

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What Sponsors Really Want From Sports Events

- 2010 numbers
  - $17.2 billion: spent by North American companies on event sponsorship
  - $46.3 billion worldwide
  - 64% of surveyed marketing executives said that event marking was a big part of their marketing strategy
    - Even during economic conditions at the time

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What Sponsors Really Want From Sports Events

- Direct sponsor benefits
  - Exposure – advertising, social media
  - Customer hospitality – event tickets
  - Sales opportunities – sampling, direct sales, database access
  - Fundraising for corporate causes
- Associative benefits
  - Exclusivity
  - Ownership
  - Prestige and reputation
  - Pass-through rights

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Direct Sponsor Benefits

- Exposure is one of the most valuable components of the event sponsorship experience
  - Promotion and advertising
    - In-event and off-site, web presence, social media
  - Product placement
    - On-site and associated branding on products/in-store ads
  - Publicity
    - Title and presenting sponsors

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Direct Sponsor Benefits

- Customer hospitality offers sponsors a way to demonstrate appreciation to customers and important clients via an experience
- Sales opportunities – direct on premises or supported by the event – can help sponsors recover costs spent on relationship
- Socially conscious corporations can find opportunities to support good causes through fundraising at events

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Associative Benefits

- Exclusivity provides sponsors an environment free of competitors in specific product/service categories
  - Sponsor message will be more powerful, free of distraction
- Ownership takes exclusivity a step further by giving sponsors full rights to customize an event as its own

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Associative Benefits

- Prestige and reputation of an event is transferred to sponsors' brands
- Pass-through rights refer to the transference, by a sponsor, of some of its event benefits to its suppliers, distributors, or other business partners
  - Associative benefits yield little measure results, but support the direct benefits; serve as intangible value in relationship with event

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Know Your Sponsors

- Each sponsor will have different desires and every relationship will be unique
- Organizers must find the best ways to cater to the varying needs of his/her sponsors
  - Customizing and flexibility will be a must
- Sponsor priorities of C2B vs. B2B
  - C2B focuses on advertising opportunities and interacting with consumers
  - B2B focuses on engaging other business with premium access and experiences

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Summary

- Organizers seek relationships that provide their events with revenue and opportunities for cost avoidance
- Organizers stretch an event's promotional budget through activation
- Sponsors seek advertising at and beyond the event site, product placement, promotions, and media coverage
- Consumer products companies (C2B) and business-to-business (B2B) want different things out of the sponsor relationship

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Assignment 6/Discussion

- You are organizing a beach volleyball tournament on our campus to raise money for Erskine Athletics. You hope to generate at least $3,000 in revenue for the department with sponsorships.
  - Describe 4 examples of sponsorships (1 in each sponsorship level) with 4 different companies/organizations that will help cover costs and generate money for the department.
  - Consider the location and type of event when drafting these sponsorships
  - Be realistic!

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Assignment 6

- Rubric
  - 4 sponsorship deals should be described (one title, presenting, exclusive, and nonexclusive or supplier)
  - Make sure to include:
    - Business or organization that will sponsor
    - Explain why each business would sponsor at the level you assign
    - Benefits to the event (revenue, VIK, etc.) with a dollar figure assigned to each deal
    - Detailed list of benefits for the sponsor including all direct and associative benefits with specific examples
    - For each benefit for the sponsors, explain why what they are providing matches what they are receiving.

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